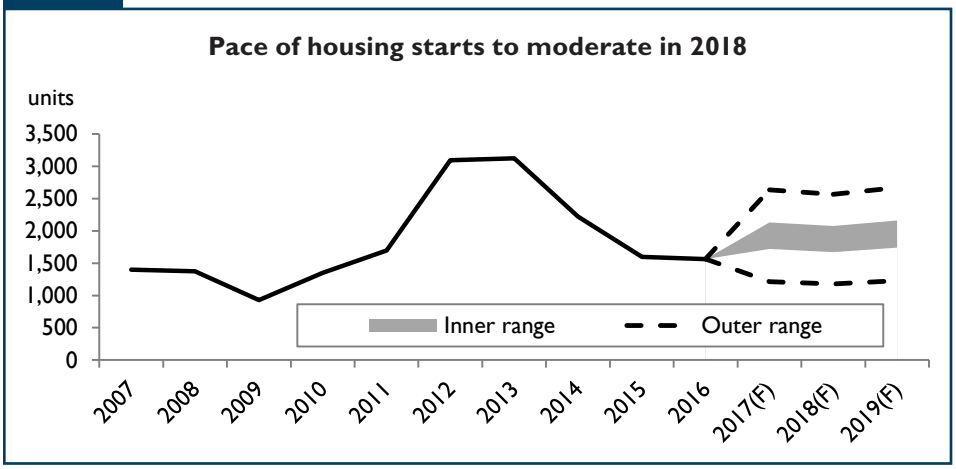
HOUSING MARKET OUTLOOK

Regina CMA

CANADA MORTGAGE AND HOUSING CORPORATION

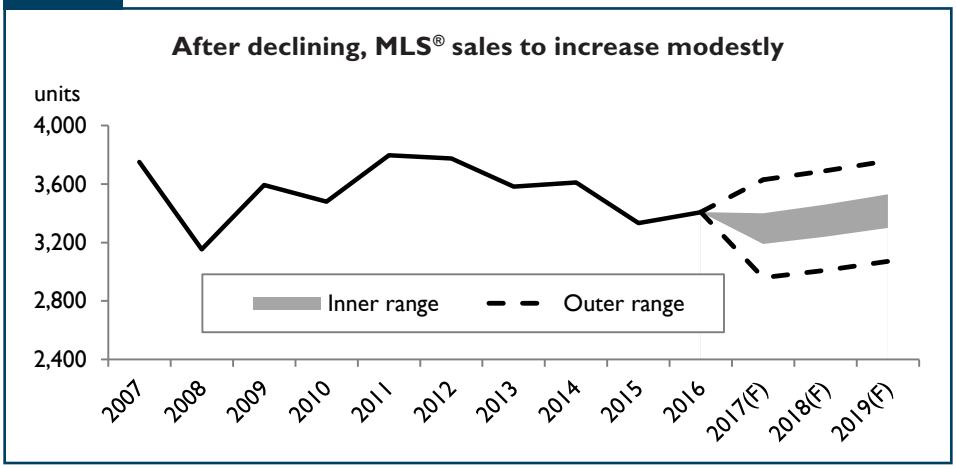
Date Released: Fall 2017

Figure 1



Source: CMHC, CMHC Forecast (F)

Figure 2



Source: CREA, CMHC Forecast (F)

Highlights[1]

- After a sharp increase in 2017, housing starts will moderate in 2018, before edging up in 2019.
- Both MLS® sales and prices will decline in 2017, but increase modestly over the next two years.
- Rental apartment vacancies to decline as demand gradually edges out supply.

New home market: Housing starts will edge lower in 2018 as demand moderates

Total housing starts in the Regina Census Metropolitan Area (CMA) are on track for a strong performance in 2017. Strong population growth in the previous year and improving labour market conditions have generated more optimism among local homebuilders this year and pushed production higher in both the single and multiples sectors. In 2018, housing starts are forecast to be slightly lower as a slower pace of population growth impacts demand for new housing units. Reduced inventory and a pick-up in both population and employment

[1] The forecasts and historical data included in this document reflect information available as of October 2, 2017.

Canada

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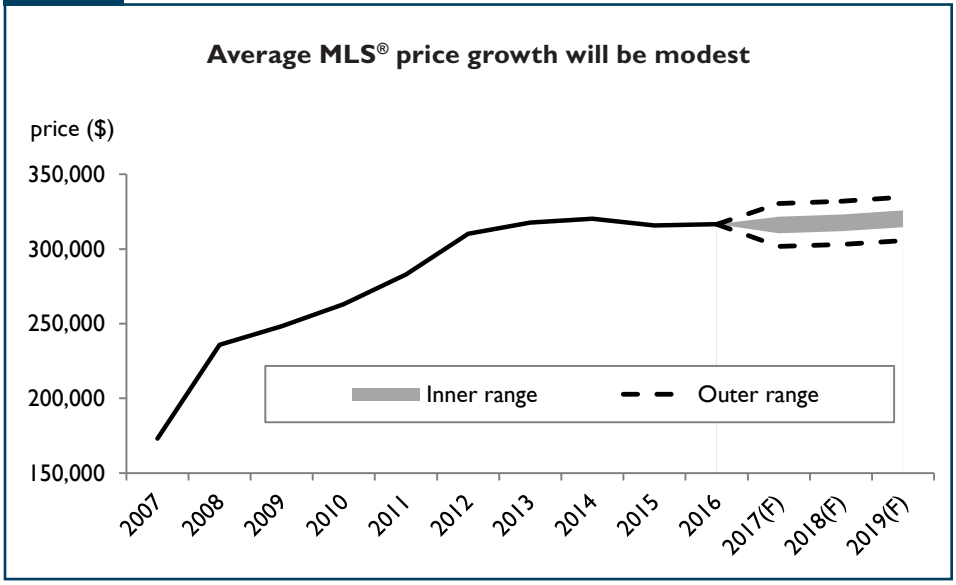
growth in 2019 is expected to result in more housing starts, albeit at levels still lower than the five-year average.

For the second consecutive year, single-detached starts in the Regina CMA will end the year considerably higher. Construction of single-detached units through August 2017 increased 17%, year-over-year, as declining inventory in this sector supported increased production. With more supply of new units, single-detached starts are projected to edge lower in 2018, before rising modestly in 2019. A key support to new home demand throughout the forecast period will be continued employment and population growth.

After a 17% decline in the previous year, multi-unit[2] starts will outperform in 2017. The construction of multi-family units through August 2017 was up 50% compared to a year ago. Nearly two-thirds of multi-family starts were apartment units, of which the majority were intended for the rental market. The rise in new home inventory is expected to slow multi-family construction in 2018, before the pace picks up again in 2019.

Figure 3



Source: CREA, CMHC Forecast (F)

Resale market: MLS® sales to decline in 2017, but edge higher in 2018 and 2019

Regina's MLS® sales are forecast to end lower in 2017 in response to tighter mortgage rules and rising mortgage rates. The impact of these two factors is expected to extend into 2018 as well, thus keeping gains in resale activity modest. In 2019, MLS® sales are projected to increase slightly, supported by improving labour market conditions and continued population growth.

The average MLS® price for Regina is projected to be lower in 2017, before increasing modestly in 2018 and 2019 as market conditions become more balanced. Persisting buyer's market conditions and a shift towards lower-priced homes have kept downward pressure on prices in 2017.

Rental market: Vacancies to remain high in 2017, decline in 2018 and 2019

The apartment vacancy rate[3] in the Regina CMA is forecast to remain elevated in 2017 on increasing rental supply in the primary market and rising competition from the secondary rental market. There has been an increase in rental apartment starts in 2017, compared to the previous year, with 723 units under construction at the end of August. While these will add to supply once completed, demand for rental housing is expected to remain resilient and supported by continued employment and population growth. As such, the apartment vacancy rate is forecast to edge lower over the next two years.

The average two-bedroom rent is forecast to decline slightly in 2017 as landlords continue to offer discounts and incentives in response to the elevated vacancy rate. However, rents will stabilize in 2018 and 2019 as vacancy rates decline.

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[2] Multi-unit starts include semi-detached, apartment and row units.

Economic trends: Gains in employment and population through 2019

Total employment in Regina is projected to grow at a slightly faster rate in 2017 than in the previous year. A return to positive GDP growth for Saskatchewan will support a steady expansion in the provincial capital's labour market this year and keep the unemployment rate relatively stable. In 2018, employment is forecast to grow at a similar rate, before increasing slightly in 2019. Throughout the forecast period, Regina's labour market will be supported by higher oil prices and energy investments, as well as gains in construction and manufacturing activity.

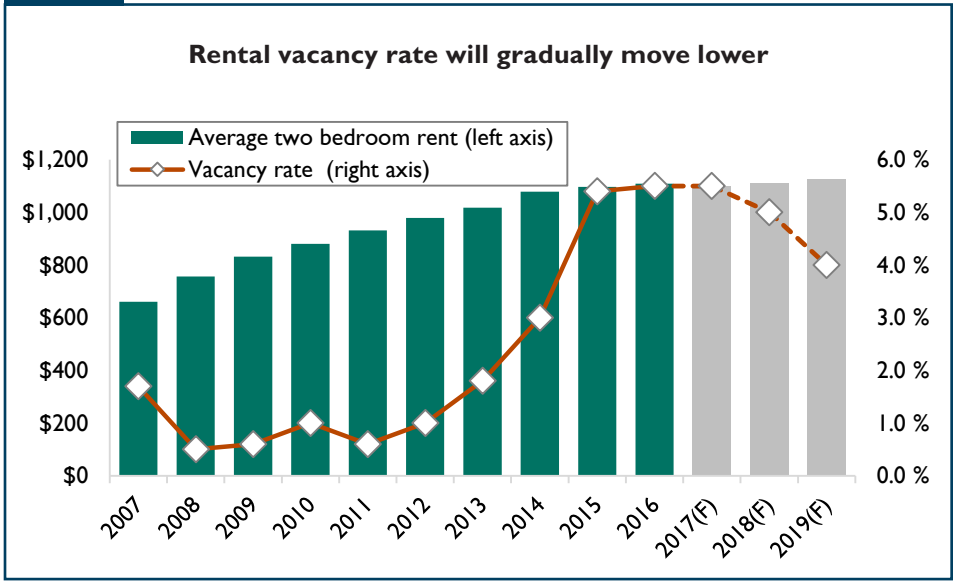
Population growth in Regina will edge lower in 2017 compared to the previous year, but will hold relatively steady throughout the forecast period, largely supported by international immigration. Total net migration is expected to decline in 2017 due to interprovincial losses, but increase modestly in the subsequent two years.

Mortgage rates are expected to rise gradually over the forecast horizon

Mortgage rates are expected to rise modestly over the period 2017-2019. This increase is consistent with the expected improvement in domestic economic conditions and the predicted increase in world interest rates.

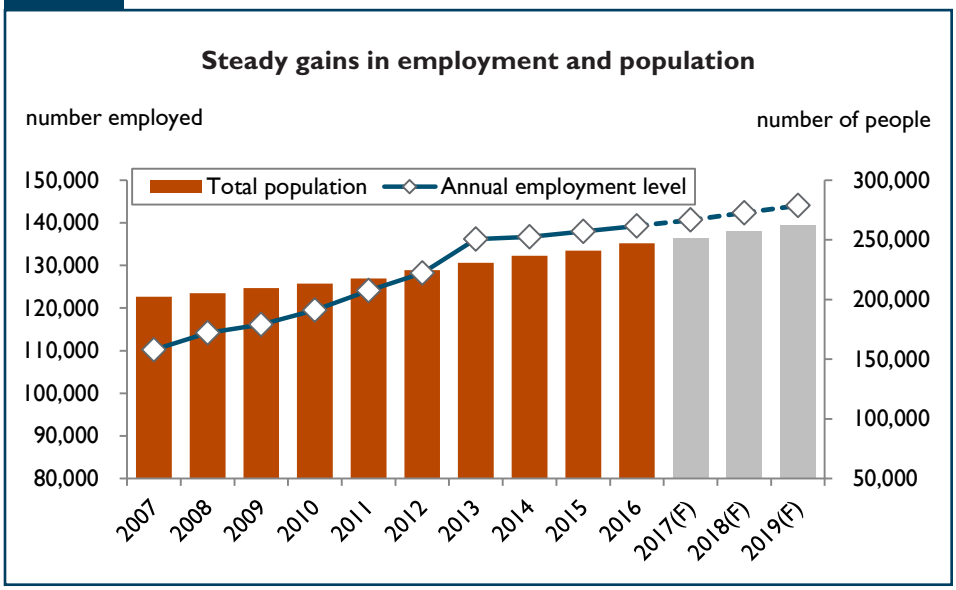
In our baseline scenario, the posted 5-year mortgage rate is expected to lie within the 4.9%-5.7% range in 2018 and within the 5.2%-6.2% range in 2019. Hence, the expected increase in this rate over 2017-2019 should be at most 160 basis points. Over our forecast horizon, mortgage rates are expected to stay below levels observed prior to the Great Recession.

Figure 4



Source: CMHC, Fall Rental Market Survey, CMHC Forecast (F)

Figure 5



Source: Statistics Canada, CMHC Forecast (F)

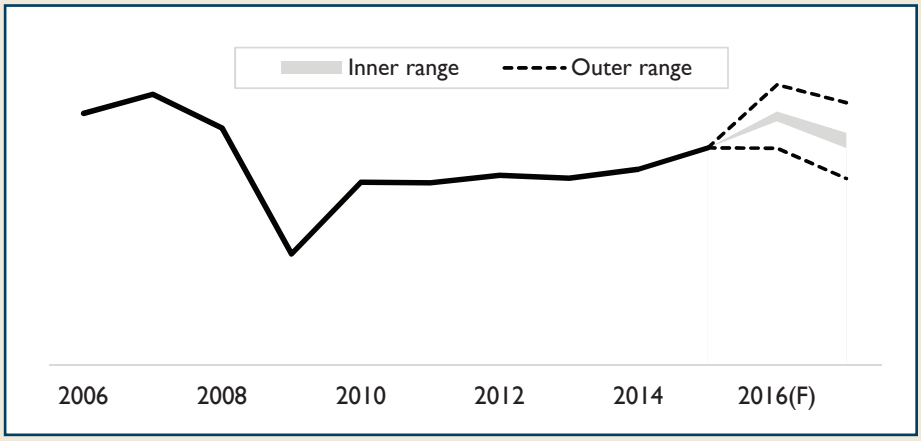
[3] In structures with three or more units purpose-built for the rental market.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary Regina CMA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	707	513	667	650	870	640	860	660	880
Multiples	1,516	1,084	896	1,110	1,220	1,070	1,180	1,120	1,240
Starts - Total	2,223	1,597	1,563	1,720	2,130	1,670	2,075	1,740	2,160
Resale Market									
MLS® Sales	3,611	3,332	3,408	3,190	3,400	3,240	3,460	3,300	3,530
MLS® Average Price($)	320,394	315,779	316,619	310,540	321,660	311,910	323,090	314,610	325,890
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	3.0	5.4	5.5	5.5	5.0	4.0
Two-bedroom Average Rent (October)($)	1,079	1,097	1,109	1,100	1,110	1,125
Economic Overview						
Population	236,619	240,868	247,224	252,074	257,044	262,224
Annual Employment Level	136,700	138,000	139,300	140,700	142,400	144,100

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).
Rental Market: Privately initiated rental apartment structures of three units and over.
The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of range. (H)=High end of range.
It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.
Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2017-2019).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.
Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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